



DEPARTMENT OF THE ARMY  
OFFICE OF THE SECRETARY OF THE ARMY  
WASHINGTON, DC 20310-0101

11 FEB 1997

REPLY TO  
ATTENTION OP

SADBU

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT : Policy Letter on Consolidation of Contract  
Requirements

The Deputy Secretary of Defense recently signed a policy memorandum outlining the Department of Defense (DOD) position on consolidation/bundling of requirements (Encl 1). This policy memorandum supersedes the DOD policy statement signed on June 1, 1982, subject, "consolidation and Small Business." In summary, the updated policy (i) permits contract consolidation only if it is determined that the government will gain significant benefits in terms of reduced cycle costs, improved services, or both; (ii) requires that multiple task or delivery order contracts, particularly for professional and technical services, be examined to determine if similar benefits are achievable; and, (iii) in the event that consolidation will result in significant benefits, that minimum targets for prime and subcontract awards to small, minority-owned, and women-owned businesses, be established that are comparable to the proportion, type, and level of sophistication of work previously awarded.

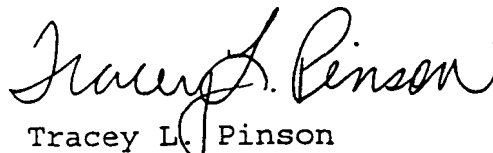
The Army strongly supports the DOD commitment to foster small business prime contract opportunities. The Army Acquisition Executive, Mr. Gilbert F. Decker, has affirmed his continued support of the small business program and of the DOD consolidation policy as evidenced by his January 29, 1997, memorandum on the Contracting Functional Area Assessment (FAA) Implementation (Encl 2). In this memorandum, he also reemphasizes the need to consider the impact that the consolidation of requirements can have on small businesses as prime contractors and further states that his memorandum on contract bundling dated October 31, 1994 remains in effect.



Recently, several small businesses have contacted me regarding their concern that program and technical personnel are arbitrarily consolidating requirements. Often, these actions come as a result of attempts to streamline acquisition or functional processes. In reality, they typically result in the elimination of small businesses from our critical vendor base. This occurs because of either the sheer magnitude of the newly consolidated requirement; the greater-variation of work effort; or the larger and more diverse geographic areas now being covered. All of which makes it unrealistic for small businesses to compete as prime contractors and usually represents a lost opportunity for new businesses to offer us their services.

While I understand the emphasis placed on acquisition streamlining brought about by downsizing and reduced resources, I am concerned about the Army's compliance with the Deputy Secretary's updated policy. Consolidation of requirements into one solicitation may be appropriate in some instances but certainly not in all. Often, the best course of action is to consolidate many requirements into a manageable few solicitations where all businesses have an opportunity to offer outstanding capabilities and advanced technologies, notwithstanding size or economic limitation.

I appreciate your continued support of the small business program and trust your compliance with this DOD and Army policy. Request you provide widest dissemination of this memorandum with all enclosures.

A handwritten signature in black ink, reading "Tracey L. Pinson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Tracey L. Pinson  
Director, Office of  
Small and Disadvantaged Business Utilization

Enclosures



28 OCT 1996

**MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
DIRECTORS OF DEFENSE AGENCIES****SUBJECT: Consolidation of Contract Requirements**

The Department of Defense (DoD) recognizes the critical role small, small disadvantaged, and women-owned small businesses play in DoD's ability to accomplish its mission. Thus, DoD is committed to fostering the use of the small business community in every aspect of its vendor base.

When we plan for the consolidation of several contracts or requirements into a single larger contract, we must consider the impact on small, small disadvantaged, and women-owned small businesses. I would like to emphasize the policy considerations that must be taken into account when contracts or requirements of a kind suitable for performance by small business are proposed for consolidation:

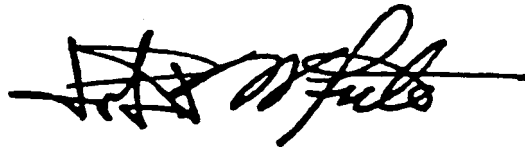
1. Requirements shall be packaged so as not to preclude performance by small, small disadvantaged, and women-owned small business concerns as prime contractors unless the consolidation will result in significant benefits in terms of reduced life cycle costs, improved services, or both. Any such determination shall be supported by market research analysis. The proposed consolidated procurement must be reviewed by the Small Business Administration procurement center representative in accordance with the Federal Acquisition Regulation (FAR) 19.202-1 (e) if it is not set aside for small business. Any disagreements between the contracting officer and the procurement center representative should be resolved pursuant to FAR 19.505. Savings solely in the Department's cost of awarding or administering contracts is not sufficient basis for consolidation.
2. Solicitations for goods and services that would have previously been set aside for small or small disadvantaged businesses shall be reviewed for set aside under the order of precedence requiring consideration of award under section 8(a), or set aside under section 15 of the Small Business Act, prior to being included in a consolidated requirement.
3. Prior to contracting for a new requirement or a follow-on to an existing requirement, particularly for professional and technical services, the contracting officer shall conduct an analysis to determine if consolidation provides significant benefits. Prior to the exercise of an option, the contracting officer shall conduct such an analysis if the analysis was not conducted at the time of initial award. For each circumstance, if the analysis indicates consolidation will not provide significant benefits, the contracting officer shall break out tasks for competition. The awards shall be consistent with the order of precedence in the Defense Federal Acquisition Regulation Supplement (DFARS).

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*Encl 1*

4. If it has been determined that consolidation of tasks will result in significant benefits, small, small disadvantaged, and women-owned small business firms shall be afforded the maximum opportunity to participate as direct awardees (particularly when multiple awards are anticipated) of portions of the proposed consolidated requirement. When establishing subcontract goals for the consolidated contract, the contracting officer shall consider the proportion, type, and level of sophistication of work previously awarded to small, small disadvantaged, and women-owned small business firms. The extent of small, small disadvantaged, and women-owned small business participation in contract performance shall be addressed during source selection, consistent with DFARS 215.605. The contracting officer shall consider using the incentive and award fee provisions in DFARS 219.708 to maximize both the magnitude and level of sophistication of work subcontracted to small, small disadvantaged, and women-owned small businesses.

5. This policy statement supersedes the policy statement signed by the Deputy Secretary of Defense, dated 1 June 1982, subject, "Consolidation and Small Business."

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DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
RESEARCH DEVELOPMENT AND ACQUISITION  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103

REPLY TO  
ATTENTION OF

29 JAN 1997

SFAE-CSA-COT

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT Contracting Functional Area Assessment (FAA)  
Implementation

Reference Contracting FAA briefing to the Army Chief of Staff on  
January 22, 1997.

A key tasking to the Contracting FAA was to select and recommend the best contracting organizational structure to support the Force XXI Institutional Army Redesign. The alternative chosen was an Army-wide contracting organization based upon a MACOM Centers and Satellites approach. This approach requires all MACOMS to develop and identify their main centers and satellites for the consolidation of contracting actions. It also requires MACOMS to regionalize all negotiated contract actions over \$500,000, as well as all suitable candidates for master contracts, at these centers. We anticipate that installations will retain contract administration, customer interface responsibilities, simplified acquisitions, and credit card purchases. This \$500,000 figure is a maximum, not a minimum. If a MACOM decides to centralize all negotiated and non-negotiated actions with a value above \$250,000 or \$100,000, they may do so. The only MACOMS exempt from this mandatory organizational structure are the Corps of Engineers and the National Guard Bureau.

When developing your centers and satellites implementation plan, you must take into consideration its impact on small, small disadvantaged, and women-owned small businesses. The current Department of Defense (DoD) policy on the consolidation of contract requirements is clearly articulated in a policy memorandum signed by the Deputy Secretary of Defense on October 28, 1996 (Enclosure 1). This memorandum was recently distributed as part of policy alert bulletin number 96-011, dated November 15, 1996. My continuing support of small business contract opportunities is contained in the memorandum on contract bundling, dated October 31, 1994 (Enclosure 2).



While not radical in concept or execution, the centers and satellites approach does represent a significant departure from the status quo. As such, we must be cognizant of maintaining our high standards of customer service.

We need you to provide us with your MACOM's implementation plan for the centers and satellites approach. This plan should, at a minimum, identify the specific center(s) and satellites; the dollar threshold for the consolidation efforts; implementation milestone dates; your proposed MACOM contract organizational wiring diagram; and, plans for establishing MACOM-wide consolidated or master contracts, particularly for maintenance contracts.

Additionally, incorporate your acquisition reform strategic plan into your implementation planning documents. We also need you to identify any regulatory obstacles that are hindering your reorganization efforts.

Please provide the required information to the US. Army Contracting Support Agency, ATTN: Mr. Robert Friedrich, (703) 881-7577, fax (703) 681-7580, DSN 761-, e-mail [friedrir@sarda.army.mil](mailto:friedrir@sarda.army.mil), within 90 days from the date of this memorandum.



Gilbert F. Decker  
Assistant Secretary of the Army  
(Research, Development and Acquisition)

#### Enclosures

#### DISTRIBUTION:

Deputy Chief of Staff for Acquisition, HQ, U.S. Army Materiel Command,  
ATTN: AMCAQ, 5001 Eisenhower Avenue, Alexandria, VA 22333-0001  
Commander, Military Traffic Management Command, ATTN: MTCG, 5611  
Columbia Pike, Falls Church, VA 22041-5050  
Commander, U.S. Army Pacific, ATTN: APCG, Fort Shafter, HI 96858-5100  
Commander, U.S. Army Training and Doctrine Command, ATTN: ATCG,  
Fort Monroe, VA 23651-5000  
Commander, U.S. Army Intelligence and Security Command, ATTN: IACG,  
Fort Belvoir, VA 22060-5270  
Commander, U.S. Army Military District of Washington, ATTN: ANCG, Fort  
Lesley J. McNair, Washington, D.C. 20319-5050

**DISTRIBUTION: (Cont)**

**Commander, U.S.-Army Corps of Engineers, ATTN: CECG, 20  
Massachusetts Avenue, N.W., Washington, D.C. 20314-1000**

**Commander, U.S. Army Medical Research and Materiel Command ATTN:  
MCMR-ZA, Fort Detrick, Frederick, MD 1702-5012**

**Commander, U.S. Army South, ATTN: SOGC, Unit 71 01, APO AA  
34004-5000**

**Commander, U.S. National Guard Bureau, Department of the Army and Air  
Force, ATTN: NGB-ZA, Washington, D.C. 20310-2500**

**Commander, U.S. Army Contracting Command Korea, ATTN: EAKC-CO,  
Unit 15289, APO AP 96205-0062**

**Commanding General, Headquarters, U.S. Army Forces Command, ATTN:  
AFCG, Fort McPherson, GA 30330-6000**

**Deputy Commanding General, U.S. Army Forces Central Command, Fort  
McPherson, GA 30330-7000**

**Deputy Commanding General, U.S. Army Space and Strategic Defense  
Command, ATTN: CSSD-ZB, Post Office Box 1500, Huntsville, AL  
35807-3801**

**Deputy Commander, U.S. Army Medical Command, Health Care Operations,  
ATTN: HSCG, Fort Sam Houston, TX 78234-6000**

**Deputy Commander-in-Chief, HQ, U.S. Army Europe and Seventh Army,  
ATTN: AEAPR, APO AE 09014**

**Commandant, U.S. Army Military Academy, ATTN: Contracting Office, West  
Point, NY 10996-5000**

**Chief, Procurement Office, U.S. Army Research Office, ATTN: AMXRO-RA,  
Post Office Box 1221 1, Research Triangle Park, NC 27709-2211**

**Copy Furnished:**

**Assistant Deputy Chief of Staff for Acquisition and Contracting, HQ, U.S.  
Army Materiel Command, ATTN: AMCAQ, 5001 Eisenhower Avenue,  
Alexandria, VA 22333-0001**

**Deputy Director, Defense Supply Service - Washington, 5200 Army  
Pentagon, Washington, D.C. 20310-5200**

**Commander, Headquarters Forces Command, ATTN: AFLG-PR, 200  
Hardee Avenue, Fort McPherson, GA 30330-6000**

**Commander, Third United States Army/U.S. Army Forces Central  
Command, ATTN: AFRD-PARC, Fort McPherson, GA 30330-7000**

**Commander, U.S. Army Information System Selection & Acquisition  
Agency (USAISSAA), ATTN: ISSA-PP, 2461 Eisenhower Avenue,  
Alexandria, VA 22331-0700**

**CF: (Cont)**

**Commander, US. Army Intelligence & Security Command, ATTN: IAPC,  
Fort Belvoir, VA 22060-5246**

**Commander, U.S. Army Medical Research and Materiel Command,  
ATTN: MCMR-AAZ-A, Fort Detrick, Frederick MD 21702-5014**

**Commander, U.S. Army Military District of Washington, Fort Lesley J.  
McNair, ATTN: ANPC, 103 Third Avenue, Washington, D.C.  
20319-5058**

**Commander, Military Traffic Management Command, ATTN: MTAQ,  
5611 Columbia Pike, Falls Church, VA 22041-5050**

**Commander, US. Army Space & Strategic Defense Command, ATTN:  
CSSD-CM, P.O. Box 1500, Huntsville, AL 35807-3801**

**Commander, U.S. Army Training and Doctrine Command, ATTN:  
ATBO-A, Fort Monroe, VA 23651-5000**

**Commander, US. Army Contracting Command, Europe, ATTN:  
AEAPR-PA (PARC), Unit 29331, APO AE 09266**

**Assistant Chief of Staff, Acquisition Management HQ, Eighth United  
States Army, ATTN: FKAQ, Unit 15237, APO AP 96205-0009**

**Assistant Chief of Staff, Acquisition Management, U.S. Army, Pacific,  
ATTN: APAM, Fort Shafter, HI 96858-5100**

**Commander, US. Army South, ATTN: SOCS-CO (PARC), Unit 7101,  
APO AA 34004-5000**

**Commander, U.S. Army Corps of Engineers, ATTN: CEPR-ZA, 20  
Massachusetts Avenue, N.W., Washington, D.C. 20314-1000**

**Chief, National Guard Bureau, ATTN: NGB-AQ, Skyline Building Six,  
Suite 401A, 5109 Leesburg Pike, Falls Church, VA 22041-3201**

**Superintendent, U.S. Army Military Academy, ATTN: Contracting Office,  
West Point, NY 10996-5000**

**Assistant Chief of Staff for Installation Management. ATTN: DAIM-MD, The  
Pentagon, Room 1 E682, Washington, D.C. 20310**

**Small and Disadvantaged Business Utilization, The Pentagon, Room 2A71,2,  
Washington, D.C. 20310**

**Chief, FORCE XXI Integration office, Office of the Deputy Chief of Staff for  
operations and Plans, ATTN: DAMO-FDF, The Pentagon, Room 26536,  
Washington, D.C. 20310**





DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON, DC 20310-0103



31 OCT 1994

SARD-PC

MEMORANDUM FOR ARMY ACQUISITION COMMUNITY

SUBJECT : Contract Bundling

As we continue to streamline our acquisition operations, we are likely to face an increasing number of situations in which we must decide whether or not to consolidate (or bundle) our contract requirements in order to achieve the savings often related to economies of scale.

I am concerned that we take special care to ensure that when consolidations occur, they do not threaten the historical participation of small and small disadvantaged businesses--firms that have served the Army long and well as both prime and subcontractors. Such a threat could arise whenever a proposed consolidation would significantly expand the scope of work, or otherwise require contracting in terms so broad as to exceed the capabilities of the typical small business.

In the interest of maintaining an effective small and small disadvantaged business utilization program, I desire that the potential impact on the contracting opportunities of this community be explicitly assessed each time the consolidation of requirements is considered.

If possible, we should avoid consolidating requirements currently provided by a small or small disadvantaged business, if the consolidation itself is likely to create performance demands beyond the capability of a small or small disadvantaged business. When requirements are consolidated, priority shall be given to acquiring them through the small and small disadvantaged business preference programs.

If circumstances dictate consolidation, written justification supporting this action shall be provided to the contracting officer by the program manager or requiring activity. The determination that a consolidated requirement cannot be placed under one of the preference programs must be approved by the Head of the Contracting Activity prior to release of the solicitation.

Encl 2

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Your immediate and continuing attention to this matter is appreciated.

A handwritten signature in dark ink, appearing to read 'G. Decker', with a long, sweeping horizontal line extending to the right.

Gilbert F. Decker  
Assistant Secretary of the Army  
(Research, Development and Acquisition)